

NOV 13 1995
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20541



TELEGLOBE

November 13, 1995

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20036

DOCKET FILE COPY ORIGINAL

Re: IB 95-22, Market Entry

Dear Mr. Caton:

Enclosed find two copies of a letter faxed to Diane Cornell this morning regarding the above-referenced proceeding.

Sincerely yours,

Charles A. Tievsky

Attachment

cc: Diane Cornell



TELEGLOBE

November 13, 1995

Diane Cornell
Chief, Telecommunications Division
International Bureau
Federal Communications Commission
Eight Floor
2000 M Street, N.W.
Washington, D.C.

VIA FAX: 202-418-2824

Re: IB 95-22, Market Entry

Dear Ms. Cornell:

As you know, Telelobe Canada, our affiliate, has recently filed its comments with Industry Canada on the structure of the Canadian overseas telecommunications market and has advocated, among other things, the introduction of multicarrier facilities-based competition after the expiration of the mandate and upon the establishment of appropriate new policies. Among these policies, Telelobe Canada advocates replacing the current Canadian prohibition on foreign carrier ownership of voting interests in Telelobe Canada with the policies now imposed on all other facilities-based carriers. (See attached excerpt). Those policies permit foreign carriers to acquire up to 20% of voting shares in a Canadian carrier, and a 33% stake in a holding company which owns the remaining shares of the carrier, resulting in 46% overall equity investment. There are no restriction on foreign carrier ownership of non-voting equity in any Canadian carrier. In its comments, Telelobe Canada also advocates that the limit on foreign carrier ownership on itself and other Canadian carriers be raised to 49% voting equity, which would be a significant and meaningful shift in national policy.

We feel that the Commission should take note of other administrations' policies respecting foreign investment issues in determining its foreign carrier affiliation policy. In its Market Entry NPRM, the Commission has proposed establishing a threshold level of ownership above which the Commission would assess market openness opportunities in the home market of a foreign carrier owner of a 214 applicant. It is Telelobe USA's view that the "control" standard adopted in CC 91-360 (*International Common Carrier*) remains the appropriate determinant of an "affiliation," and that, if the Commission adopts a general policy of looking to home market entry opportunities in assessing the public interest pursuant to Section 214, that it to do so only with respect to applicants subject to the "control" of foreign carrier affiliates who possess market power in their home markets.

Alternatively, if the Commission adopts a percentage of ownership approach, Telelobe USA urges the establishment of a flexible "affiliation" standard that recognizes liberalizing foreign carrier investment opportunities adopted abroad, such as that proposed by Telelobe Canada. In this manner, the Commission would encourage countries to relax or remove barriers to foreign carrier investment by affording greater opportunities for foreign carrier affiliation in the U.S., which would also benefit smaller U.S. carriers seeking development capital from abroad.

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Diane Cornell
November 13, 1995
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We hope this information will prove useful in the coming discussions on this item.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'C. Tievsky', with a stylized flourish at the end.

Charles A. Tievsky

Attachment

cc: Phil Walker
Bert Halprin
William Caton

Ownership Considerations

1. *Should current restrictions on the ownership of Teleglobe by Canadian carriers be modified or removed?*

In 1987 the government set Teleglobe's ownership ceiling for Canadian designated common carriers at 33.3% of the Company's voting shares. The proposed introduction of competition in the overseas facilities-based market would have a significant impact on Teleglobe's business and client relationships with Canadian domestic carriers. Given the potential entry into Teleglobe's market by Canadian carriers that could very quickly be in a position to offer both domestic and overseas traffic on an integrated basis, there is no reason for Teleglobe to remain subject to any special and unique ownership restrictions. Elimination of the *Teleglobe Act* would serve to remove the restrictions on ownership of Teleglobe by Canadian carriers.

2. *Should the current prohibition on the ownership of Teleglobe by foreign carriers be modified or removed?*
3. *Should Teleglobe be subject only to the foreign ownership provisions of the Telecommunications Act?*

In 1987 the government determined that foreign carriers would not be allowed to own any of Teleglobe's voting shares, although other foreign investors could acquire up to 20%. While these limits may have been appropriate at the time of Teleglobe's privatization, they are not in keeping with current global trends. The Company must now be allowed to benefit from enhanced access to foreign capital and the ability to forge alliances with foreign telecommunications players.

Teleglobe recommends that the Government eliminate the *Teleglobe Act* and submits that the *Telecommunications Act* should be amended to raise the foreign ownership ceiling, including by foreign carriers, to 49%. This would maximize the potential for foreign alliance formation and capital infusion without relinquishing effective Canadian control.